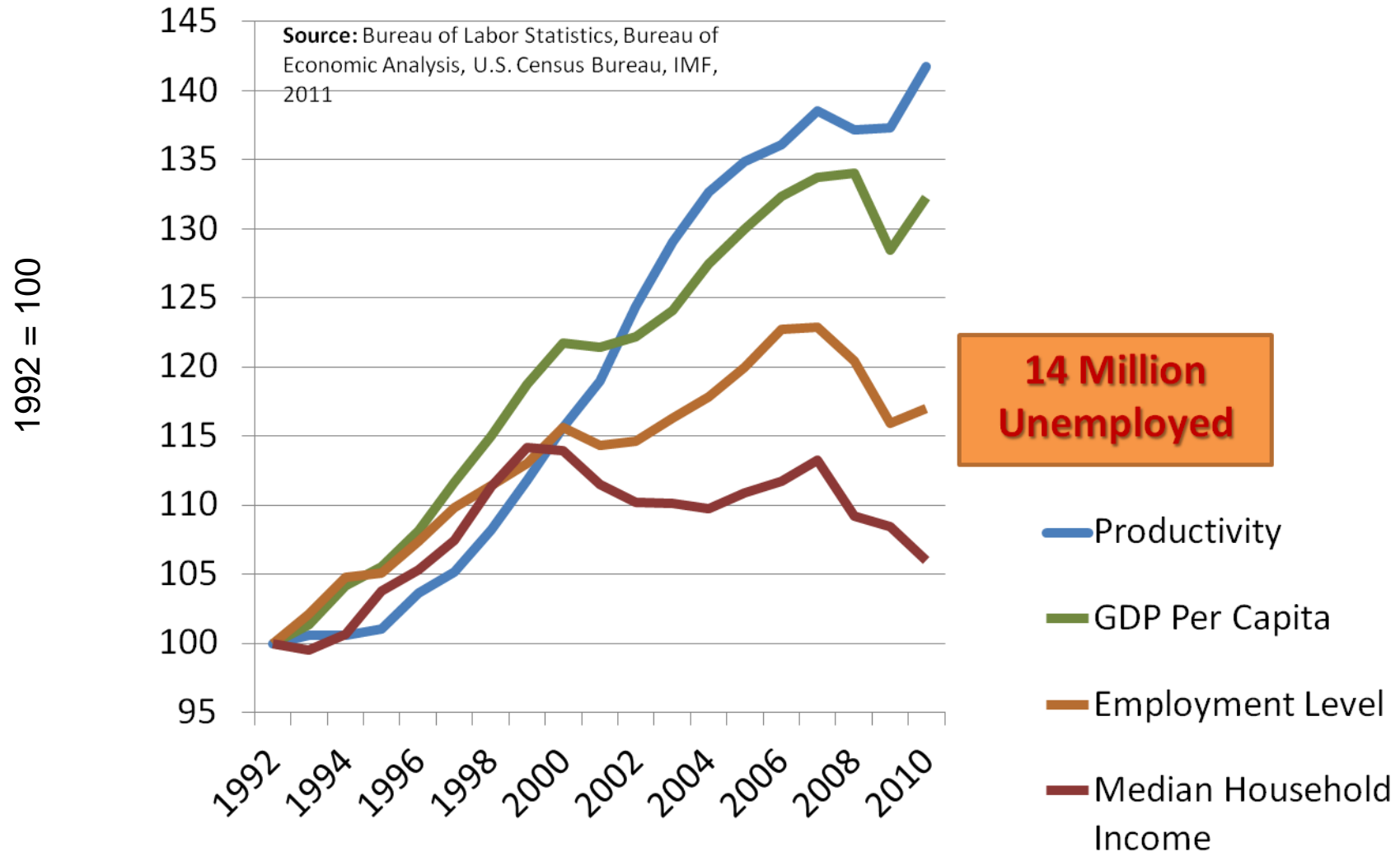


Our Economic Challenge:

Growing Economy Not Lifting Wages or Adding Jobs

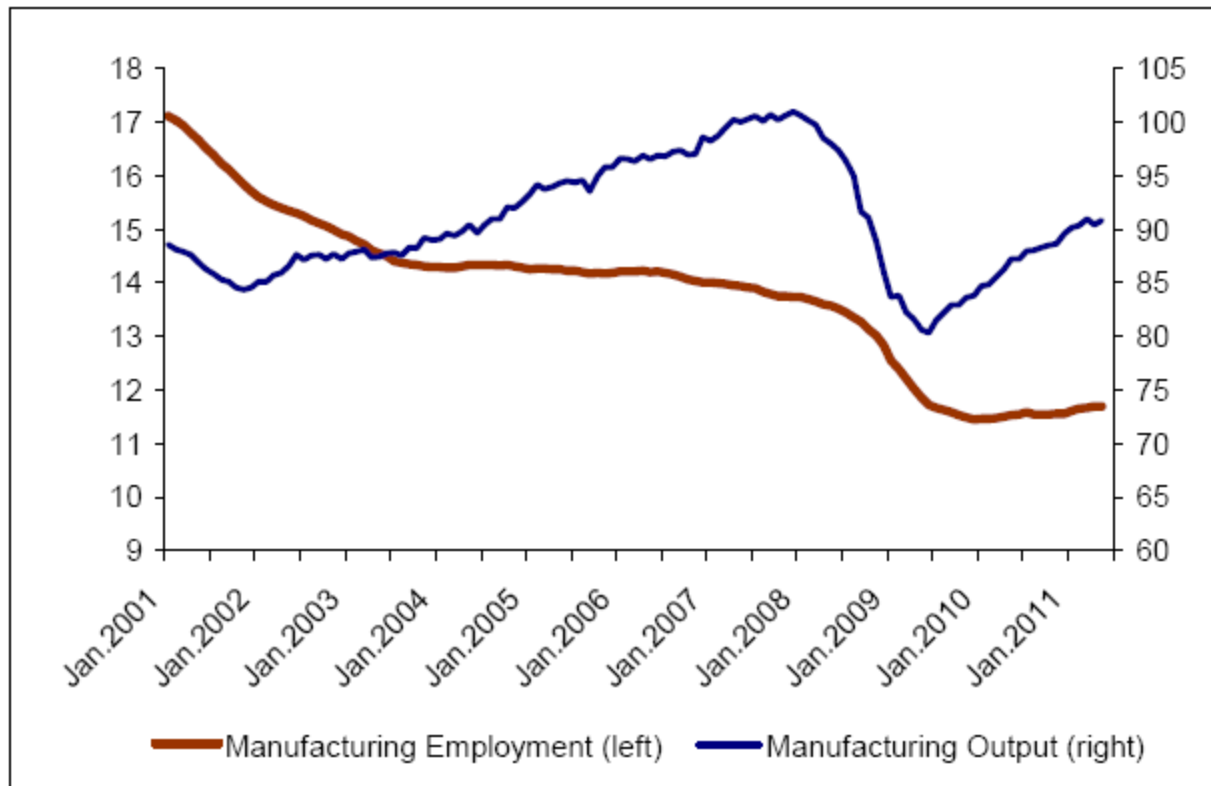


Jobless Recovery

Manufacturing Output Recovers, But Not Employment

Figure 1. Manufacturing Output and Employment

Employment in millions; output indexed, 2007=100

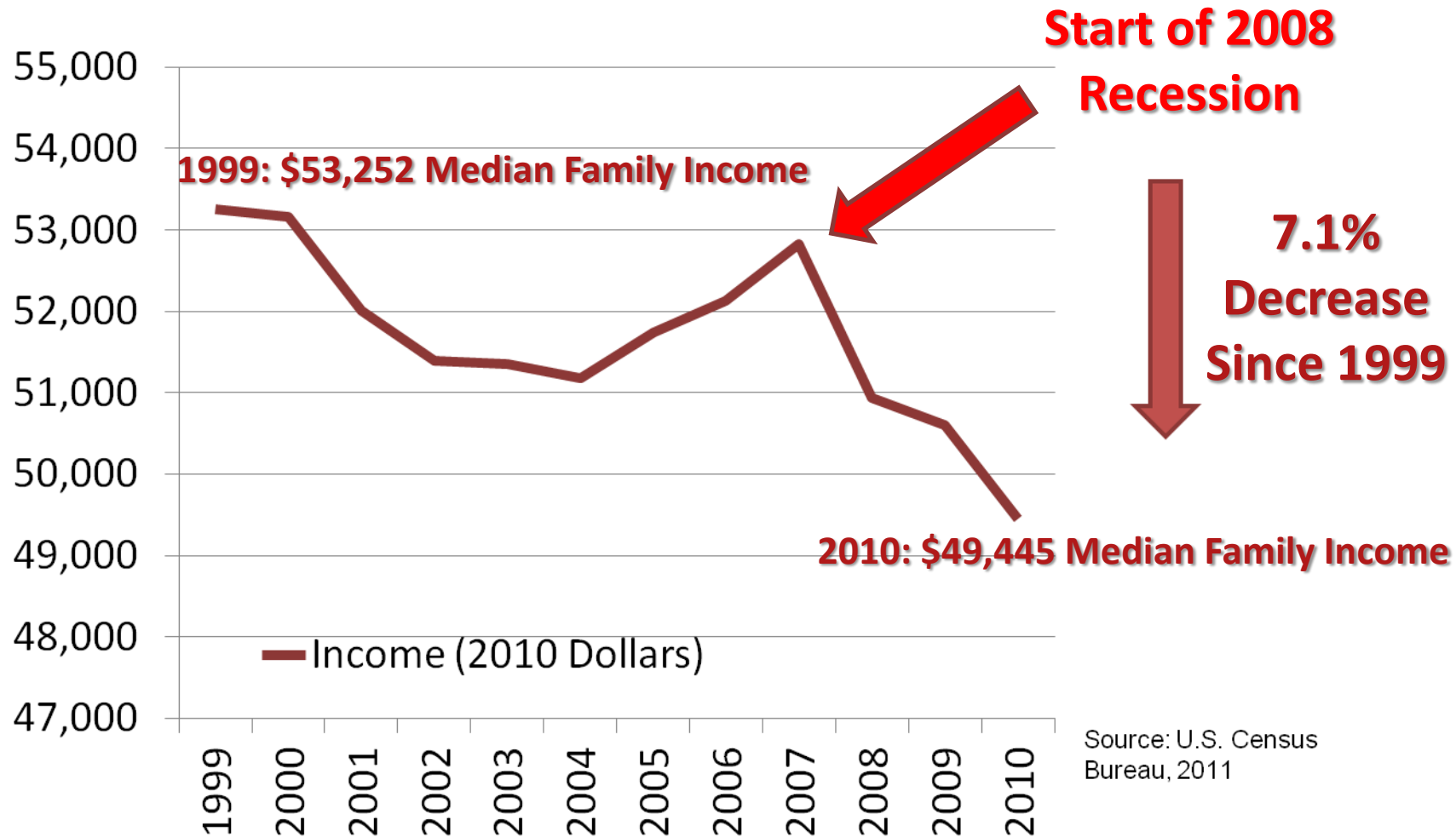


Source: Bureau of Labor Statistics, Current Employment Survey, and Federal Reserve Board, Industrial Production Index.

Notes: Data are seasonally adjusted.

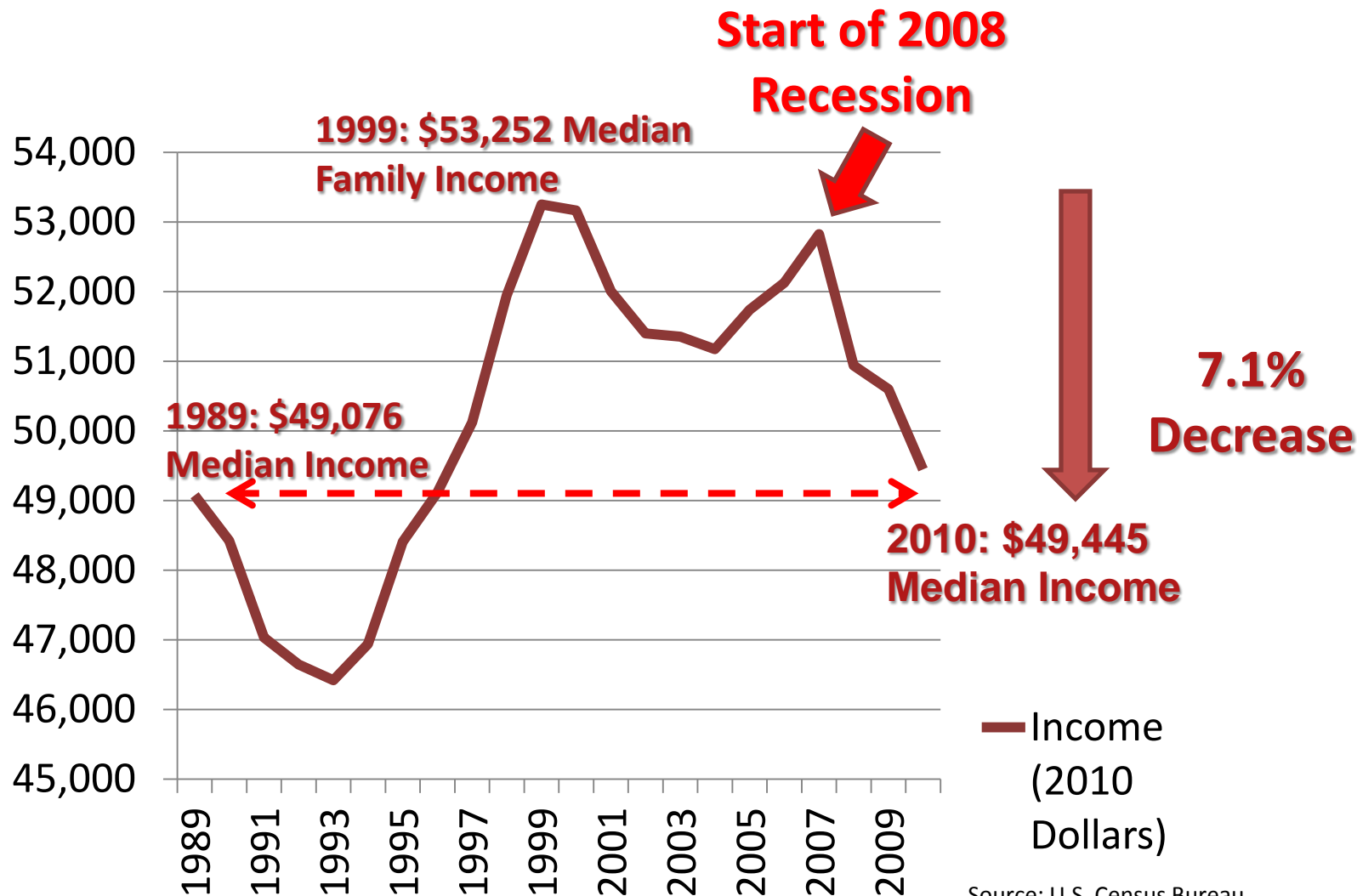
A Lost Decade for Middle Class:

Real Median Household Income, Past 10 Years



2 Lost Decades for Middle Class:

Real Median Household Income, Past 2 Decades

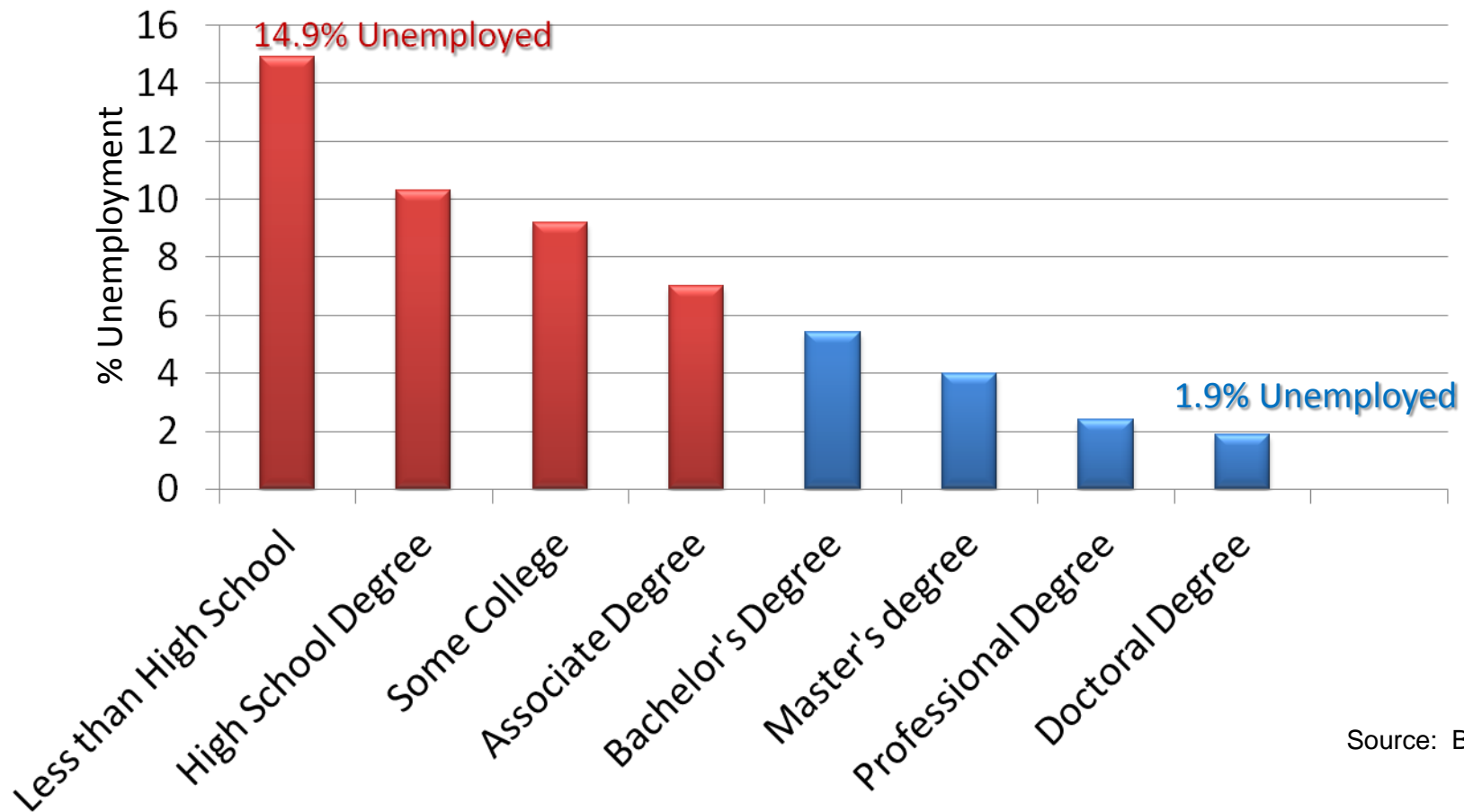


Source: U.S. Census Bureau, 2011

Education Matters:

Higher Education Level Boosts Employment

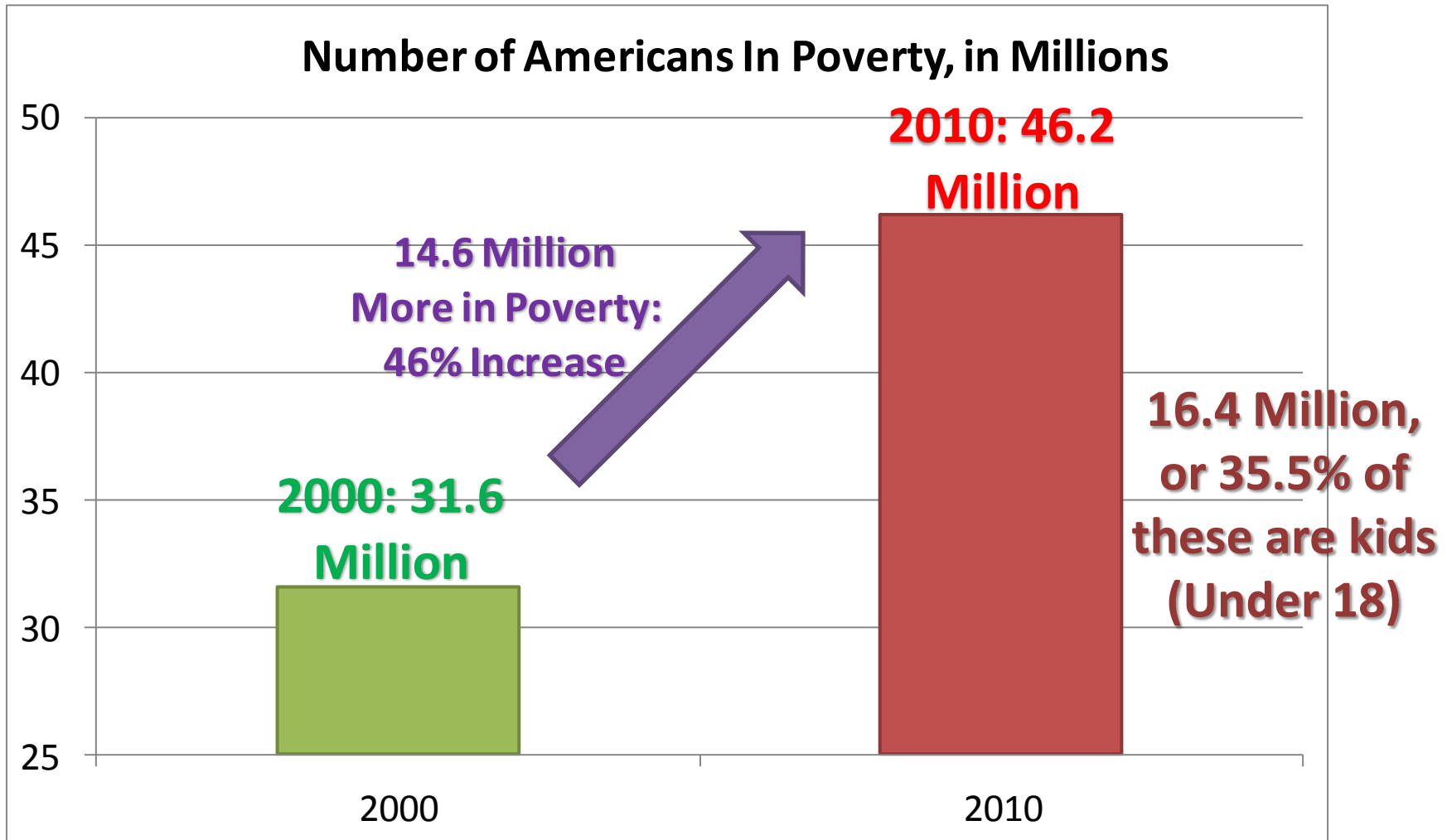
Unemployment Levels by Educational Attainment



Source: BLS , 2011

More Americans in Poverty

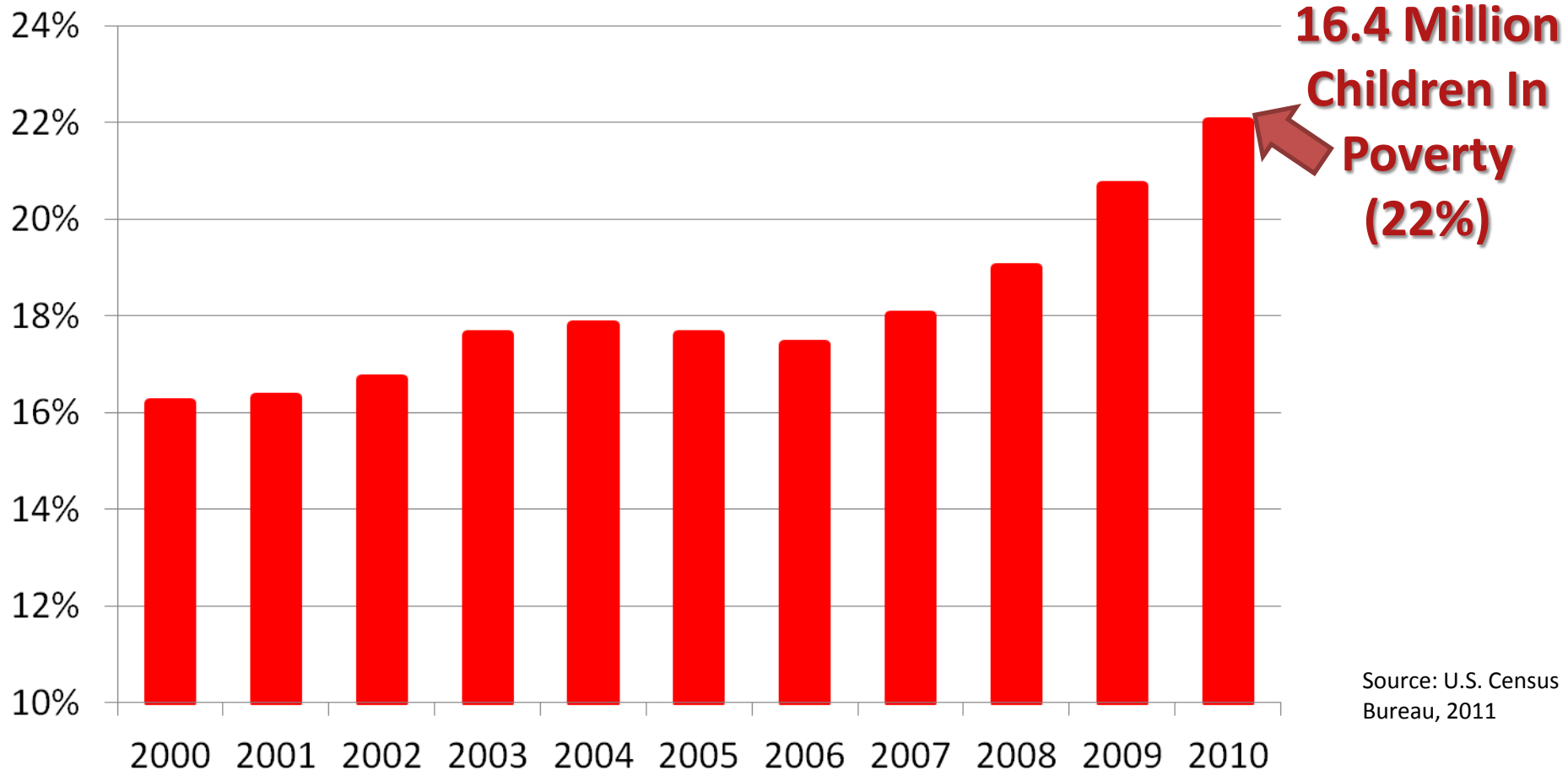
Highest Number of Americans in Poverty Since U.S. Began Tracking



More Children in Poverty

Highest Level of Child Poverty In a Decade

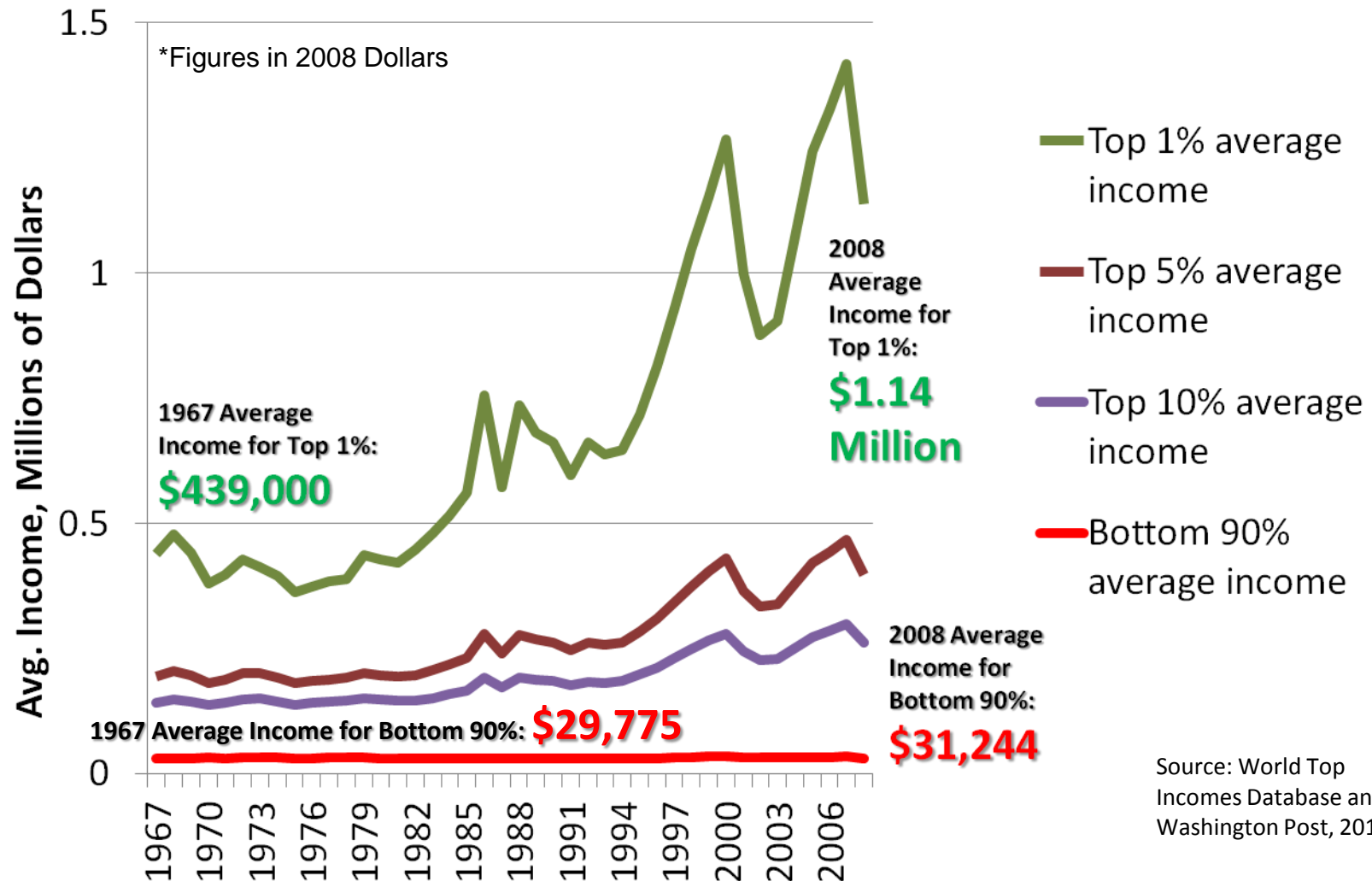
Percent of Children (Under 18) Living in Poverty in U.S.



Source: U.S. Census Bureau, 2011

Widening Inequality:

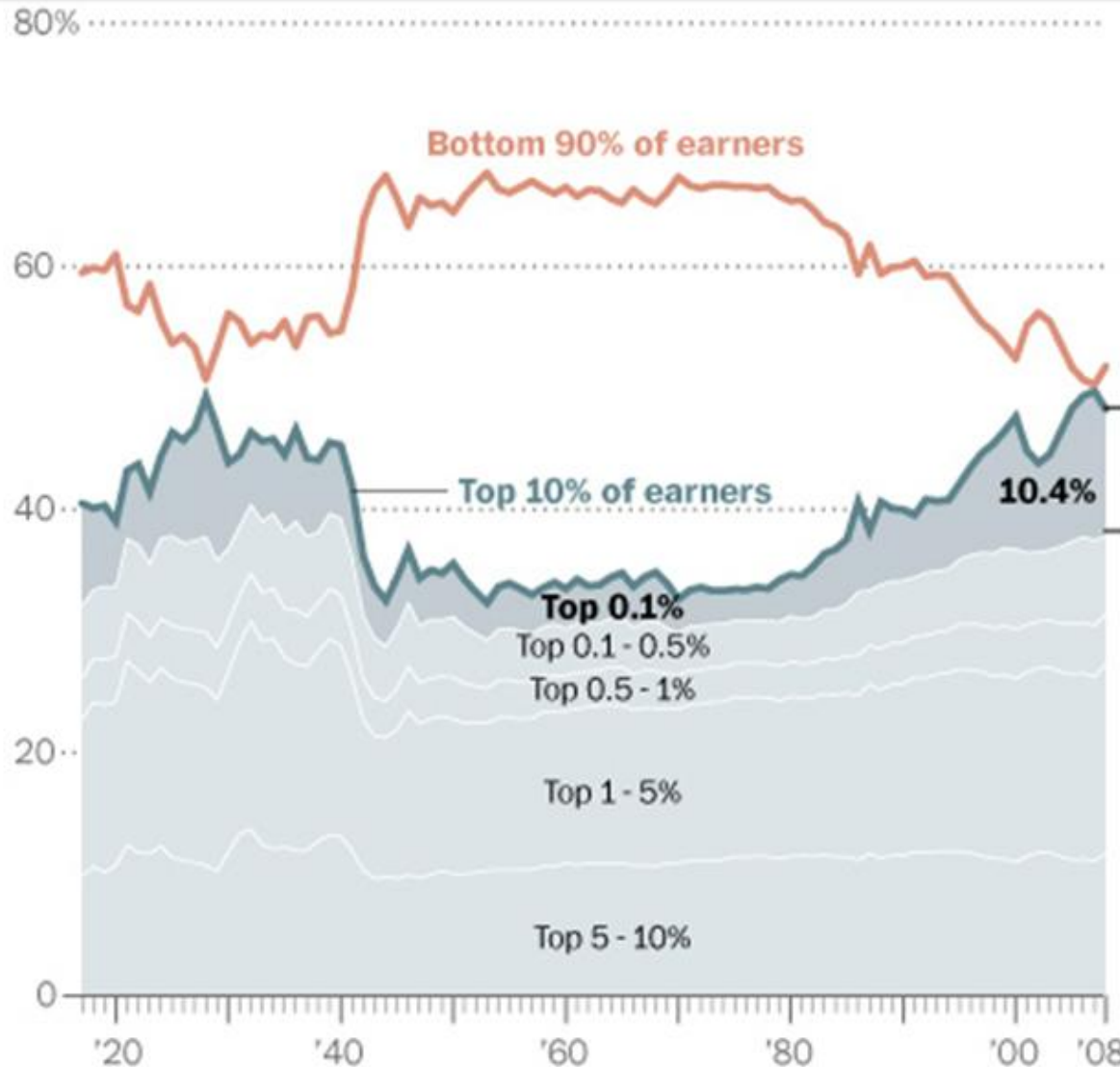
Average Real Income at Different Levels, Past 4 Decades



Source: World Top
Incomes Database and
Washington Post, 2011

Growing Share of Income for Top

Inequality In U.S. Has Grown for Past 40 Years



The **top 0.1 percent** of the population (those making about \$1.7 million or more) saw the sharpest increase in income share, taking home 2.6% of the nation's earnings in 1975 and 10.4% in 2008.

Source: World Top Incomes Database and Washington Post, June 18 2011

An Economic Strategy to Drive Innovation and a Rising Middle Class (Slide 1 of 2)

- ***Reform and Simplify Tax Code:*** Build a tax code that increases our competitiveness and creates jobs.
- ***Long Term R&D Strategy:*** Enact a long-term extension of the research and development tax credit and devise a long-term national strategy to support basic and applied research.
- ***Invest in Infrastructure:*** Create an infrastructure bank, which would partner with the private sector to take a comprehensive and nonpolitical approach to infrastructure funding.
- ***Bring Public Education into the 21st Century:*** Reform and strengthen our public education system by bringing our schools into the 21st Century and ensuring they are preparing more students to excel in college and a global economy.
- ***Regulatory Review:*** Create a process to review and streamline regulations that have become too cumbersome or have outlived their usefulness.

An Economic Strategy to Drive Innovation and a Rising Middle Class (Slide 2 of 2)

- ***Eliminate Dependence on Foreign Oil:*** Create a “clean energy” Race to the Top that incentivizes states to promote clean energy investments.
- ***Facilitate Transfer of New Technology to Business:*** Allow a portion of research funding allocated to universities to be used for getting new technologies to market.
- ***Support the Growth of Advance Manufacturing:*** Facilitate the transfer of new technologies developed in federal labs and universities to existing manufacturers.
- ***Eliminate the Technology Gap:*** Promote the development of broadband in rural communities through increased collaboration between the public and private sectors.
- ***Modernize the FDA:*** Modernize and update our FDA laws for the twenty-first century so our biotech and medical device companies can get safe products to market as quickly as possible.

Excerpts from Wall Street Journal: **The Rise of Procter & Gamble**

“P&G's profits boomed with the increasing affluence of middle-class households in the post-World War II economy. As masses of housewives set up their new suburban homes, P&G marketers pledged that Tide detergent delivered cleaner clothes, Mr. Clean made floors shinier and Crest toothpaste fought off more cavities. In the decades since, new features like fragrances or ingredient and packaging enhancements kept P&G's growth robust.”

Source: Wall Street Journal, “As Middle Class Shrinks, P&G Aims High and Low,” September 12, 2011

Excerpts from Wall Street Journal: P&G Expects Middle Class Squeeze to Be Long Lasting

“For generations, Procter & Gamble Co.'s growth strategy was focused on developing household staples for the vast American middle class. Now, P&G executives say many of its former middle-market shoppers are trading down to lower-priced goods -- widening the pools of have and have-not consumers at the expense of the middle. That's forced P&G, which estimates it has at least one product in 98% of American households, to fundamentally change the way it develops and sells its goods. For the first time in 38 years, for example, the company launched a new dish soap in the U.S. at a bargain price. P&G's roll out of Gain dish soap says a lot about the health of the American middle class: The world's largest maker of consumer products is now betting that the squeeze on middle America will be long lasting.”

Excerpts from Wall Street Journal: P&G Strategy Reflects Broader Trend

“P&G isn’t the only company adjusting its business. A wide swath of American companies is convinced that the consumer market is bifurcating into high and low ends and eroding in the middle. They have begun to alter the way they research, develop and market their products.”

Source: Wall Street Journal, “As Middle Class Shrinks, P&G Aims High and Low,” September 12, 2011

Excerpts from Wall Street Journal: America a Country with Big Income Gaps

“To monitor the evolving American consumer market, P&G executives study the Gini index, a widely accepted measure of income inequality that ranges from zero, when everyone earns the same amount, to one, when all income goes to only one person. In 2009, the most recent calculation available, the Gini coefficient totaled 0.468, a 20% rise in income disparity over the past 40 years, according to the U.S. Census Bureau. ‘We now have a Gini index similar to the Philippines and Mexico -- you'd never have imagined that,’ says Phyllis Jackson, P&G's vice president of consumer market knowledge for North America. ‘I don't think we've typically thought about America as a country with big income gaps to this extent.’”